

State of Arizona
House of Representatives
Forty-fifth Legislature
First Regular Session
2001

CHAPTER 103

HOUSE BILL 2027

AN ACT

AMENDING SECTIONS 10-202, 10-1420, 10-1530, 10-1803, 10-3140, 10-3202, 10-11420 AND 10-11530, ARIZONA REVISED STATUTES; AMENDING TITLE 10, ARIZONA REVISED STATUTES, BY ADDING CHAPTER 42; TRANSFERRING AND RENUMBERING TITLE 10, CHAPTER 18, ARTICLE 3, ARIZONA REVISED STATUTES, FOR PLACEMENT IN TITLE 10, CHAPTER 42, ARTICLE 1, ARIZONA REVISED STATUTES, AS ADDED BY THIS ACT; TRANSFERRING AND RENUMBERING SECTIONS 10-1851 THROUGH 10-1857, ARIZONA REVISED STATUTES, RESPECTIVELY, AS SECTIONS 10-11901 THROUGH 10-11907; AMENDING TITLE 10, CHAPTER 42, ARTICLE 1, ARIZONA REVISED STATUTES, AS ADDED BY THIS ACT, BY ADDING SECTION 10-11908; AMENDING SECTIONS 20-829, 29-786 AND 29-807, ARIZONA REVISED STATUTES; RELATING TO BUSINESS ENTITIES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 10-202, Arizona Revised Statutes, is amended to
3 read:

4 10-202. Articles of incorporation and certificate of
5 disclosure; violation; classification

6 A. The articles of incorporation shall set forth:

7 1. A corporate name for the corporation that satisfies the
8 requirements of section 10-401.

9 2. The number of shares the corporation is authorized to issue.

10 3. A brief statement of the character of business that the corporation
11 initially intends to actually conduct in this state. This statement does not
12 constitute a limitation on the character of business that the corporation
13 ultimately may conduct.

14 4. The name and address of each person who is to serve as a director
15 until a successor is elected and qualifies.

16 5. The name and, street address AND SIGNATURE of the corporation's
17 statutory agent.

18 6. The street address of the known place of business for the
19 corporation, if different from that of its statutory agent.

20 7. The name and address of each incorporator.

21 8. Any provision elected by the incorporators that under chapters 1
22 through 17 of this title or any other law of this state may be elected only
23 by specific inclusion in the articles of incorporation.

24 9. The signatures of all incorporators.

25 B. The articles of incorporation may set forth:

26 1. A provision eliminating or limiting the liability of a director
27 to the corporation or its shareholders for money damages for any action taken
28 or any failure to take any action as a director, except liability for any of
29 the following:

30 (a) The amount of a financial benefit received by a director to which
31 the director is not entitled.

32 (b) An intentional infliction of harm on the corporation or the
33 shareholders.

34 (c) A violation of section 10-833.

35 (d) An intentional violation of criminal law.

36 2. A provision permitting or making obligatory indemnification of a
37 director for liability, as defined in section 10-850, to any person for any
38 action taken, or any failure to take any action, as a director, except
39 liability for any of the exceptions described in paragraph 1, subdivisions
40 (a), (b), (c) and (d) of this subsection.

41 3. Any other provision, not inconsistent with law.

42 C. The articles of incorporation need not set forth any of the
43 corporate powers enumerated in chapters 1 through 17 of this title.

1 D. The certificate of disclosure shall set forth all of the following:

2 1. The following information regarding all persons who at the time of
3 its delivery are officers, directors, trustees, incorporators and persons
4 controlling or holding over ten per cent of the issued and outstanding common
5 shares or ten per cent of any other proprietary, beneficial or membership
6 interest in the corporation:

7 (a) Whether any of the persons have been convicted of a felony
8 involving a transaction in securities, consumer fraud or antitrust in any
9 state or federal jurisdiction within the seven year period immediately
10 preceding the execution of the certificate.

11 (b) Whether any of the persons have been convicted of a felony, the
12 essential elements of which consisted of fraud, misrepresentation, theft by
13 false pretenses or restraint of trade or monopoly in any state or federal
14 jurisdiction within the seven year period immediately preceding the execution
15 of the certificate.

16 (c) Whether any of the persons are or have been subject to an
17 injunction, judgment, decree or permanent order of any state or federal court
18 entered within the seven year period immediately preceding the execution of
19 the certificate, if the injunction, judgment, decree or permanent order
20 involved any of the following:

21 (i) The violation of fraud or registration provisions of the
22 securities laws of that jurisdiction.

23 (ii) The violation of the consumer fraud laws of that jurisdiction.

24 (iii) The violation of the antitrust or restraint of trade laws of
25 that jurisdiction.

26 (d) With regard to any of the persons who have been convicted of the
27 crimes or who are the subject of the judicial action described in
28 subdivisions (a), (b) and (c) of this paragraph, information regarding:

29 (i) Identification of the persons, including present full name, all
30 prior names or aliases, including full birth name, present home address, all
31 prior addresses for the immediately preceding seven year period, date and
32 location of birth and social security number.

33 (ii) The nature and description of each conviction or judicial action,
34 the date and location, the court and public agency involved, and the file or
35 cause number of the case.

36 2. A brief statement disclosing whether any persons who at the time
37 of its delivery are officers, directors, trustees, incorporators and persons
38 controlling or holding over twenty per cent of the issued and outstanding
39 common shares or twenty per cent of any other proprietary, beneficial or
40 membership interest in the corporation and who have served in any such
41 capacity or held a twenty per cent interest in any other corporation on the
42 bankruptcy, receivership or charter revocation of the other corporation. If
43 so, for each corporation, the certificate shall include:

44 (a) The names and addresses of each corporation and the person or
45 persons involved.

1 (b) The state in which each corporation:

2 (i) Was incorporated.

3 (ii) Transacted business.

4 (c) The dates of corporate operation.

5 3. The signatures of all of the incorporators.

6 4. The date of its execution, which shall be not more than thirty days
7 before its delivery to the commission.

8 5. A declaration by each signer that he swears to its contents under
9 penalty of law.

10 E. The certificate of disclosure may set forth the name and address
11 of any other person whom the incorporators elect to be the subject of those
12 disclosures required under subsection D, paragraph 1 of this section.

13 F. If within sixty days after delivering the articles of incorporation
14 and certificate of disclosure to the commission any person becomes an
15 officer, director, trustee or person controlling or holding over ten per cent
16 of the issued and outstanding shares or ten per cent of any other
17 proprietary, beneficial or membership interest in the corporation and the
18 person was not the subject of the disclosures set forth in the certificate
19 of disclosure, the incorporators or, if the organization of the corporation
20 has been completed as provided in section 10-205, the corporation shall
21 execute and deliver to the commission within the sixty day period a
22 declaration, sworn to under penalty of law, setting forth all information
23 required by subsection D, paragraph 1 of this section regarding the person.
24 If the incorporators or, as applicable, the corporation fail to comply with
25 this subsection, the commission shall MAY administratively dissolve the
26 corporation pursuant to section 10-1421.

27 G. If any of the persons described in subsection D, paragraph 1 of
28 this section have been convicted of the crimes or are the subject of the
29 judicial action described in subsection D, paragraph 1 of this section, the
30 commission may direct detailed interrogatories to the persons requiring any
31 additional relevant information deemed necessary by the commission. The
32 interrogatories shall be completely answered within thirty days after mailing
33 of the interrogatories. With respect to corporations incorporating or
34 seeking authority to transact business, articles of incorporation or an
35 application for authority shall not be filed until all outstanding
36 interrogatories have been answered to the satisfaction of the commission.
37 With respect to existing domestic and foreign corporations, if the
38 interrogatories are not answered as provided in this subsection or the
39 answers to the interrogatories otherwise indicate proper grounds for an
40 administrative dissolution, the commission shall initiate an administrative
41 dissolution in accordance with chapters 1 through 17 of this title.

42 H. On a quarterly updated basis, the commission shall provide to the
43 attorney general a list of all persons who are convicted of the crimes or who
44 are the subject of the judicial action described in subsection D, paragraph

1 of this section as indicated by the certificates of disclosure filed during
2 the preceding three months.

3 1. Any person who executes or contributes information for a
4 certificate of disclosure and who intentionally makes any untrue statement
5 of material fact or withholds any material fact with regard to the
6 information required in subsection D, paragraph 1 of this section is guilty
7 of a class 6 felony.

8 Sec. 2. Section 10-1420, Arizona Revised Statutes, is amended to read:

9 10-1420. Grounds for administrative dissolution

10 The commission may commence a proceeding under section 10-1421 to
11 administratively dissolve a corporation if either:

12 1. The corporation does not pay within sixty days after they are due
13 any fees or penalties imposed by chapters 1 through 17 of this title.

14 2. The corporation does not deliver its annual report to the
15 commission within sixty days after it is due.

16 3. The corporation is without a statutory agent or known place of
17 business in this state for sixty days or more.

18 4. The corporation does not notify the commission within sixty days
19 that its statutory agent or known place of business has been changed, that
20 its statutory agent has resigned or that its principal office has been
21 discontinued.

22 5. The corporation has failed to make any publication required by this
23 title and file an affidavit of publication thereof within the time prescribed
24 by this title, provided the commission has notified the corporation of the
25 intent of the commission to commence a dissolution proceeding for that reason
26 and the corporation has failed to file an affidavit of publication within
27 sixty days after that notice.

28 6. The corporation's period of duration stated in its articles of
29 incorporation expires.

30 7. The corporation has failed to comply with section 10-202,
31 subsection F.

32 8. ANY OFFICER OR OTHER REPRESENTATIVE OF THE CORPORATION HAS MADE ANY
33 MISREPRESENTATION OF A MATERIAL MATTER IN ANY APPLICATION, REPORT, AFFIDAVIT
34 OR OTHER DOCUMENT SUBMITTED BY THE CORPORATION PURSUANT TO CHAPTERS 1 THROUGH
35 17 OF THIS TITLE.

36 9. THE CORPORATION HAS FAILED TO COMPLY WITH SECTION 10-1403,
37 SUBSECTION D, OR THE COMMISSION HAS NOT RECEIVED THE NOTICE REQUIRED BY
38 SECTION 10-1403, SUBSECTION C, WITHIN SIX MONTHS AFTER FILING ARTICLES OF
39 DISSOLUTION.

40 10. THE CORPORATION HAS FAILED TO FILE A CERTIFICATE OF DISCLOSURE OR
41 ANSWER INTERROGATORIES AS PRESCRIBED IN CHAPTERS 1 THROUGH 17 OF THIS TITLE.

1 Sec. 3. Section 10-1530, Arizona Revised Statutes, is amended to read:
2 10-1530. Grounds for revocation

3 The commission may commence a proceeding under section 10-1531 to
4 revoke the authority of a foreign corporation to transact business in this
5 state if any of the following conditions exist:

6 1. The foreign corporation does not deliver its annual report to the
7 commission within the time required by chapters 1 through 17 of this title.

8 2. The foreign corporation does not pay any fees or penalties imposed
9 by chapters 1 through 17 of this title when they become due and payable.

10 3. The foreign corporation is without a statutory agent OR KNOWN PLACE
11 OF BUSINESS in this state for sixty days or more.

12 4. The foreign corporation does not inform the commission that its
13 statutory agent OR KNOWN PLACE OF BUSINESS has changed or that its statutory
14 agent has resigned within sixty days of the change or resignation.

15 5. The foreign corporation has failed to make any publication required
16 by this title and file affidavit of publication thereof within the time
17 prescribed by this title, provided the commission has notified the foreign
18 corporation of the intent of the commission to commence a revocation
19 proceeding for that reason and the foreign corporation has failed to file an
20 affidavit of publication within sixty days after that notice.

21 6. An incorporator, director, officer or agent of the foreign
22 corporation signed a document he knew was false in any material respect with
23 intent that the document be delivered to the commission for filing.

24 7. The commission receives a duly authenticated certificate from the
25 secretary of state or other official having custody of corporate records in
26 the state or country under whose law the foreign corporation is incorporated
27 stating that it has been dissolved or disappeared as the result of a merger.

28 8. The corporation has failed to file a certificate of disclosure or
29 answer interrogatories as prescribed in chapters 1 through 17 of this title.

30 9. ANY OFFICER OR OTHER REPRESENTATIVE OF THE CORPORATION HAS MADE ANY
31 MISREPRESENTATION OF A MATERIAL MATTER IN ANY APPLICATION, REPORT, AFFIDAVIT
32 OR OTHER DOCUMENT SUBMITTED BY THE CORPORATION PURSUANT TO CHAPTERS 1 THROUGH
33 17 OF THIS TITLE.

34 Sec. 4. Section 10-1803, Arizona Revised Statutes, is amended to read:
35 10-1803. Mandatory provisions of articles of incorporation

36 A. The articles of incorporation of a close corporation shall set
37 forth:

38 1. The name of the corporation which shall contain the words "Arizona
39 close corporation" or an abbreviation therefor.

40 2. The name and address of the manager or managers of the corporation.

41 3. The names, addresses and amount of initial contribution of capital
42 units of each of the original investors. The number of original investors
43 shall not exceed ten.

44 4. The aggregate amount in dollars of the initial capital units to be
45 paid to the corporation.

1 5. The name and, address AND SIGNATURE of the corporation's initial
2 statutory agent.

3 B. It shall not be necessary to set forth in the articles of
4 incorporation any corporate powers or any corporate purposes.

5 Sec. 5. Section 10-3140, Arizona Revised Statutes, is amended to read:
6 10-3140. Definitions

7 In chapters 24 through 40 of this title, unless the context otherwise
8 requires:

9 1. "Acknowledged" or "acknowledgment" means either an acknowledgment
10 pursuant to title 33, chapter 4, article 5 or the signature, without more,
11 of the person or persons signing the instrument, in which case the signature
12 or signatures constitute the affirmation or acknowledgment of the signatory,
13 under penalties of perjury, that the instrument is the act and deed of the
14 signatory and that the facts stated in the instrument are true.

15 2. "Act of the board of directors" means either:

16 (a) An act of the majority of the directors present at a duly called
17 meeting at which a quorum is present, unless the act of a greater number is
18 required by chapters 24 through 40 of this title, the articles of
19 incorporation or the bylaws.

20 (b) Action taken by written consent of the directors in accordance
21 with chapters 24 through 40 of this title.

22 3. "Act of the members" means either:

23 (a) An act adopted or rejected by a majority of the votes represented
24 and voting at a duly held meeting at which a quorum is present where
25 affirmative votes also constitute a majority of the required quorum unless
26 a greater number of votes is required by chapters 24 through 40 of this
27 title, the articles of incorporation or the bylaws.

28 (b) An action taken by written consent of the members in accordance
29 with chapters 24 through 40 of this title.

30 (c) An action taken by written ballot of the members in accordance
31 with this chapter.

32 4. "Address" means a mailing address.

33 5. "Affiliate" means a person that directly or indirectly through one
34 or more intermediaries controls, is controlled by or is under common control
35 with the person specified.

36 6. "Articles of incorporation" means the original or restated articles
37 of incorporation or articles of merger and all amendments to the articles of
38 incorporation or merger and includes amended and restated articles of
39 incorporation and articles of amendment and merger.

40 7. "Board", "board of directors" or "board of trustees" means the
41 group of persons vested with the direction of the affairs of the corporation
42 irrespective of the name by which the group is designated, except that no
43 person or group of persons shall be deemed to be the board of directors
44 solely because of powers delegated to that person or group pursuant to
45 section 10-3801, subsection C.

1 8. "Business day" means a day that is not a Saturday, a Sunday or any
2 other legal holiday in this state.

3 9. "Bylaws" means the code of rules adopted for the regulation or
4 management of the affairs of the corporation irrespective of the name by
5 which those rules are designated.

6 10. "Certificate of disclosure" means the certificate of disclosure
7 described in section 10-3202.

8 11. "Class" refers to a group of memberships that have the same rights
9 with respect to voting, dissolution, redemption and transfer. Rights are the
10 same if they are determined by a formula applied uniformly.

11 12. "Commission" means the Arizona corporation commission.

12 13. "Conspicuous" means so written that a reasonable person against
13 whom the writing is to operate should have noticed it. For example, printing
14 in italics, boldface or contrasting color or typing in capitals or underlined
15 is conspicuous.

16 14. "Corporation" or "domestic corporation" means a nonprofit
17 corporation that is not a foreign corporation and that is incorporated under
18 or subject to chapters 24 through 40 of this title.

19 15. "CORPORATION SOLE" MEANS A CORPORATION FORMED PURSUANT AND SUBJECT
20 TO CHAPTER 42, ARTICLE 1 OF THIS TITLE.

21 ~~15.~~ 16. "Court" means the superior court of this state.

22 ~~16.~~ 17. "Delegates" means those persons elected or appointed to vote
23 in a representative assembly for the election of a director or directors or
24 on other matters.

25 ~~17.~~ 18. "Deliver" includes mail, private courier or telefacsimile
26 transmission.

27 ~~18.~~ 19. "Delivery" means actual receipt by the person or entity to
28 which directed.

29 ~~19.~~ 20. "Directors" or "trustees" means individuals, designated in the
30 articles of incorporation or bylaws or elected by the incorporators, and
31 their successors and individuals elected or appointed by any other name or
32 title to act as members of the board.

33 ~~20.~~ 21. "Dissolved" means the status of a corporation on either:

34 (a) Effectiveness of articles of dissolution pursuant to section
35 10-11403, subsection B or section 10-11421, subsection B.

36 (b) A decree pursuant to section 10-11433, subsection B becoming
37 final.

38 ~~21.~~ 22. "Distribution" means a direct or indirect transfer of money
39 or other property or incurrence of indebtedness by a corporation to or for
40 the benefit of its members in respect of any of its membership interests. A
41 distribution may be in the form of any of the following:

- 1 (a) A declaration of payment of a dividend.
2 (b) Any purchase, redemption or other acquisition of membership
3 interests.
4 (c) A distribution of indebtedness.
5 (d) Otherwise.
6 ~~22.~~ 23. "Effective date of notice" is prescribed in section 10-3141.
7 ~~23.~~ 24. "Employee" means an officer, director or other person who is
8 employed by the corporation.
9 ~~24.~~ 25. "Entity" includes a corporation, foreign corporation, not for
10 profit corporation, business corporation, foreign business corporation,
11 profit and not for profit unincorporated association, close corporation,
12 corporation sole, limited liability company or registered limited liability
13 partnership, a professional corporation, association or limited liability
14 company or registered limited liability partnership, a business trust,
15 estate, partnership, trust or joint venture, two or more persons having a
16 joint or common economic interest, any person other than an individual and
17 a state, the United States and a foreign government.
18 ~~25.~~ 26. "Executed by the corporation" means executed by manual or
19 facsimile signature on behalf of the corporation by a duly authorized officer
20 or, if the corporation is in the hands of a receiver or trustee, by the
21 receiver or trustee.
22 ~~26.~~ 27. "Filing" means the commission completing the following
23 procedure with respect to any document delivered for that purpose:
24 (a) Determining that the filing fee requirements of this title have
25 been satisfied.
26 (b) Determining that the document appears in all respects to conform
27 to the requirements of chapters 24 through 40 of this title.
28 (c) On making the determinations, endorsement of the word "filed" with
29 the applicable date on or attached to the document and the return of copies
30 to the person who delivered the document or the person's representative.
31 ~~27.~~ 28. "Foreign corporation" means a corporation that is organized
32 under a law other than the law of this state and that would be a nonprofit
33 corporation if formed under the laws of this state.
34 ~~28.~~ 29. "Governmental subdivision" includes an authority, county,
35 district, municipality and political subdivision.
36 ~~29.~~ 30. "Includes" and "including" denotes a partial definition.
37 ~~30.~~ 31. "Individual" includes the estate of an incompetent individual.
38 ~~31.~~ 32. "Insolvent" means inability of a corporation to pay its debts
39 as they become due in the usual course of its business.
40 ~~32.~~ 33. "Known place of business" means the known place of business
41 required to be maintained pursuant to section 10-3501.
42 ~~33.~~ 34. "Mail", "to mail" or "have mailed" means to deposit or have
43 deposited a communication in the United States mail with first class postage
44 prepaid.
45 ~~34.~~ 35. "Means" denotes an exhaustive definition.

1 ~~35.~~ 36. "Member" means, without regard to what a person is called in
2 the articles of incorporation or bylaws, any person or persons who, pursuant
3 to a provision of a corporation's articles of incorporation or bylaws, have
4 the right to vote for the election of a director or directors. A person is
5 not a member by virtue of any of the following:

6 (a) Any rights that person has as a delegate.

7 (b) Any rights that person has to designate a director or directors.

8 (c) Any rights that person has as a director.

9 (d) Being referred to as a member in the articles of incorporation,
10 bylaws or any other document, if the person does not have the right to vote
11 for the election of a director or directors.

12 ~~36.~~ 37. "Membership" refers to the rights and obligations a member or
13 members have pursuant to a corporation's articles of incorporation, bylaws
14 and chapters 24 through 40 of this title.

15 ~~37.~~ 38. "Newspaper" has the same meaning prescribed in section 39-201.

16 ~~38.~~ 39. "Notice" and "notify" are prescribed in section 10-3141.

17 ~~39.~~ 40. "Person" includes individual and entity.

18 ~~40.~~ 41. "President" means that officer designated as the president in
19 the articles of incorporation or bylaws or, if not so designated, that
20 officer authorized in the articles of incorporation, bylaws or otherwise to
21 perform the functions of the chief executive officer, irrespective of the
22 name by which designated.

23 ~~41.~~ 42. "Principal office" means the office, in or out of this state,
24 so designated in the annual report where the principal executive offices of
25 a domestic or foreign corporation are located or in any other document
26 executed by the corporation by an officer and delivered to the commission for
27 filing. If an office has not been so designated, principal office means the
28 known place of business of the corporation.

29 ~~42.~~ 43. "Proceeding" includes a civil suit and a criminal,
30 administrative and investigatory action.

31 ~~43.~~ 44. "Publish" means to publish in a newspaper of general
32 circulation in the county of the known place of business for three
33 consecutive publications.

34 ~~44.~~ 45. "Record date" means the date, if any, established under
35 chapter 29 or 30 of this title on which a corporation determines the identity
36 of its members and their membership interests for purposes of chapters 24
37 through 40 of this title. The determinations shall be made as of the close
38 of business on the record date unless another time for doing so is specified
39 when the record date is fixed.

40 ~~45.~~ 46. "Secretary" means that officer designated as the secretary in
41 the articles of incorporation or bylaws or that officer authorized in the
42 articles of incorporation, the bylaws or otherwise to perform the functions
43 of secretary, irrespective of the name by which designated.

1 ~~46.~~ 47. "State" if referring to a part of the United States, includes
2 a state and commonwealth and their agencies and governmental subdivisions and
3 a territory and insular possession of the United States and their agencies
4 and governmental subdivisions.

5 ~~47.~~ 48. "Treasurer" means that officer designated as the treasurer in
6 the articles of incorporation or bylaws or that officer authorized in the
7 articles of incorporation, bylaws or otherwise to perform the functions of
8 treasurer, irrespective of the name by which designated.

9 ~~48.~~ 49. "United States" includes a district, authority, bureau,
10 commission and department and any other agency of the United States.

11 ~~49.~~ 50. "Vice-president" means an officer designated as a
12 vice-president in the articles of incorporation or bylaws or an officer
13 authorized in the articles of incorporation, the bylaws or otherwise to
14 perform the functions of a vice-president, irrespective of the name by which
15 designated.

16 ~~50.~~ 51. "Vote" includes authorization by written ballot and written
17 consent.

18 ~~51.~~ 52. "Voting power" means the total number of votes entitled to be
19 cast for the election of directors at the time the determination of voting
20 power is made, excluding a vote that is contingent on the happening of a
21 condition or event that has not occurred at the time. If a class is entitled
22 to vote as a class for directors, the determination of voting power of the
23 class shall be based on the percentage of the number of directors the class
24 is entitled to elect out of the total number of authorized directors.

25 Sec. 6. Section 10-3202, Arizona Revised Statutes, is amended to read:

26 10-3202. Articles of incorporation; violation; classification

27 A. The articles of incorporation shall set forth:

28 1. A corporate name for the corporation that satisfies the
29 requirements of section 10-3401.

30 2. A brief statement of the character of affairs that the corporation
31 initially intends to conduct. This statement does not limit the affairs that
32 the corporation may conduct.

33 3. The name and address of each person who is to serve as a director
34 until a successor is elected and qualifies.

35 4. The name and, street address AND SIGNATURE of the corporation's
36 statutory agent.

37 5. The street address of the known place of business for the
38 corporation, if different from that of its statutory agent.

39 6. The name and address of each incorporator.

40 7. Whether or not the corporation will have members.

41 8. Any provision elected by the incorporators that under chapters 24
42 through 40 of this title or any other law of this state may be elected only
43 by specific inclusion in the articles of incorporation.

44 9. The signatures of all incorporators.

45 B. The articles of incorporation may set forth:

1 1. A provision eliminating or limiting the liability of a director to
2 the corporation or its members for money damages for any action taken or any
3 failure to take any action as a director, except liability for any of the
4 following:

5 (a) The amount of a financial benefit received by a director to which
6 the director is not entitled.

7 (b) An intentional infliction of harm on the corporation or the
8 members.

9 (c) A violation of section 10-3833.

10 (d) An intentional violation of criminal law.

11 2. A provision permitting or making obligatory indemnification of a
12 director for liability, as defined in section 10-3850, to any person for any
13 action taken, or any failure to take any action, as a director, except
14 liability for any of the exceptions described in paragraph 1 of this
15 subsection.

16 3. Any other provision, not inconsistent with law.

17 C. The articles of incorporation need not set forth any of the
18 corporate powers enumerated in chapters 24 through 40 of this title.

19 D. The certificate of disclosure shall set forth all of the following:

20 1. The following information regarding all persons who at the time of
21 its delivery are officers, directors, trustees and incorporators:

22 (a) Whether any of the persons have been convicted of a felony
23 involving a transaction in securities, consumer fraud or antitrust in any
24 state or federal jurisdiction within the seven year period immediately
25 preceding the execution of the certificate.

26 (b) Whether any of the persons have been convicted of a felony, the
27 essential elements of which consisted of fraud, misrepresentation, theft by
28 false pretenses or restraint of trade or monopoly in any state or federal
29 jurisdiction within the seven year period immediately preceding the execution
30 of the certificate.

31 (c) Whether any of the persons are or have been subject to an
32 injunction, judgment, decree or permanent order of any state or federal court
33 entered within the seven year period immediately preceding the execution of
34 the certificate, if the injunction, judgment, decree or permanent order
35 involved any of the following:

36 (i) The violation of fraud or registration provisions of the
37 securities laws of that jurisdiction.

38 (ii) The violation of consumer fraud laws of that jurisdiction.

39 (iii) The violation of the antitrust or restraint of trade laws of
40 that jurisdiction.

41 (d) With regard to any of the persons who have been convicted of the
42 crimes or who are the subject of the judicial action described in
43 subdivisions (a), (b) and (c) of this paragraph, information regarding:

44 (i) Identification of the persons, including present full name, all
45 prior names or aliases, including full birth name, present home address, all

1 prior addresses for the immediately preceding seven year period, date and
2 location of birth and social security number.

3 (ii) The nature and description of each conviction or judicial action,
4 the date and location, the court and public agency involved, and the file or
5 case number of the case.

6 2. A brief statement disclosing whether any persons who at the time
7 of its delivery are officers, directors, trustees and incorporators and who
8 have served in any such capacity in any other corporation on the bankruptcy,
9 receivership or charter revocation of the other corporation. If so, for each
10 corporation, the certificate shall include:

11 (a) The names and addresses of each corporation and the person or
12 persons involved.

13 (b) The state in which each corporation:

14 (i) Was incorporated.

15 (ii) Transacted business.

16 (c) The dates of corporate operation.

17 3. The signatures of all the incorporators.

18 4. The date of its execution, which shall be not more than thirty days
19 before its delivery to the commission.

20 5. A declaration by each signer that the signer swears to its contents
21 under penalty of law.

22 E. The certificate of disclosure may set forth the name and address
23 of any other person whom the incorporator or incorporators choose to be the
24 subject of those disclosures required under subsection D, paragraph 1 of this
25 section.

26 F. If within sixty days after delivering the articles of incorporation
27 and certificate of disclosure to the commission any person becomes an
28 officer, director or trustee and the person was not the subject of the
29 disclosures set forth in the certificate of disclosure, the incorporator or
30 incorporators or, if the organization of the corporation has been completed
31 as provided in section 10-3205, the corporation shall execute and deliver to
32 the commission within the sixty day period a declaration, sworn to under
33 penalty of law, setting forth all information required by subsection D,
34 paragraph 1 of this section, regarding the person. If the incorporator or
35 incorporators or, as applicable, the corporation fails to comply with this
36 subsection, the commission shall MAY administratively dissolve the
37 corporation pursuant to section 10-11421.

38 G. If any of the persons described in subsection D, paragraph 1 of
39 this section have been convicted of the crimes or are the subject of the
40 judicial action described in subsection D, paragraph 1 of this section, the
41 commission may direct detailed interrogatories to the persons requiring any
42 additional relevant information deemed necessary by the commission. The
43 interrogatories shall be completely answered within thirty days after mailing
44 of the interrogatories. With respect to corporations incorporating or
45 seeking authority to conduct affairs, articles of incorporation or an

1 application for authority shall not be filed until all outstanding
2 interrogatories have been answered to the satisfaction of the commission.
3 With respect to existing domestic and foreign corporations, if the
4 interrogatories are not answered as provided in this subsection or the
5 answers to the interrogatories otherwise indicate proper grounds for an
6 administrative dissolution, the commission shall initiate an administrative
7 dissolution in accordance with chapters 24 through 40 of this title.

8 H. On a quarterly updated basis, the commission shall provide to the
9 attorney general a list of all persons who are convicted of the crimes or who
10 are the subject of the judicial action described in subsection D, paragraph
11 1 of this section as indicated by the certificate of disclosure filed during
12 the preceding three months.

13 I. Any person who executed or contributed information for a
14 certificate of disclosure and who intentionally makes any untrue statement
15 of material fact or withholds any material fact with regard to the
16 information required in subsection D, paragraph 1 of this section is guilty
17 of a class 6 felony.

18 Sec. 7. Section 10-11420, Arizona Revised Statutes, is amended to
19 read:

20 10-11420. Grounds for administrative dissolution

21 The commission may commence a proceeding under section 10-11421 to
22 administratively dissolve a corporation if either:

23 1. The corporation does not pay within sixty days after they are due
24 any fees or penalties imposed by chapters 24 through 40 of this title.

25 2. The corporation does not deliver its annual report to the
26 commission within sixty days after it is due.

27 3. The corporation is without a statutory agent or known place of
28 business in this state.

29 4. The corporation does not notify the commission within sixty days
30 that its statutory agent or known place of business has been changed, that
31 its statutory agent has resigned or that its known place of business has been
32 discontinued.

33 5. The corporation has failed to make any publication required by this
34 title and file AN affidavit of publication thereof within the time prescribed
35 by this title, provided the commission has notified the corporation of the
36 intent of the commission to commence a dissolution proceeding for that reason
37 and the corporation has failed to file an affidavit of publication within
38 sixty days after that notice.

39 6. The corporation's period of duration stated in its articles of
40 incorporation expires.

41 7. The corporation has failed to comply with section 10-3202,
42 subsection F.

43 8. ANY OFFICER OR OTHER REPRESENTATIVE OF THE CORPORATION HAS MADE ANY
44 MISREPRESENTATION OF A MATERIAL MATTER IN ANY APPLICATION, REPORT, AFFIDAVIT

1 OR OTHER DOCUMENT SUBMITTED BY THE CORPORATION PURSUANT TO CHAPTERS 24
2 THROUGH 40 OF THIS TITLE.

3 9. THE COMMISSION HAS NOT RECEIVED THE NOTICE REQUIRED BY SECTION
4 10-11403, SUBSECTION E WITHIN SIX MONTHS AFTER FILING ARTICLES OF
5 DISSOLUTION.

6 10. THE CORPORATION HAS FAILED TO FILE A CERTIFICATE OF DISCLOSURE OR
7 ANSWER INTERROGATORIES AS PRESCRIBED IN CHAPTERS 24 THROUGH 40 OF THIS TITLE.

8 Sec. 8. Section 10-11530, Arizona Revised Statutes, is amended to
9 read:

10 10-11530. Grounds for revocation

11 The commission may commence a proceeding under section 10-11531 to
12 revoke the authority of a foreign corporation to conduct affairs in this
13 state if any of the following conditions exist:

14 1. The foreign corporation does not deliver the annual report to the
15 commission within the time required by chapters 24 through 40 of this title.

16 2. The foreign corporation does not pay any fees or penalties imposed
17 by chapters 24 through 40 of this title when they become due and payable.

18 3. The foreign corporation is without a statutory agent OR KNOWN PLACE
19 OF BUSINESS in this state for sixty days or more.

20 4. The foreign corporation does not inform the commission that its
21 statutory agent OR ITS KNOWN PLACE OF BUSINESS has changed or that its
22 statutory agent has resigned within sixty days of the change or resignation.

23 5. The foreign corporation has failed to make any publication required
24 by this title and file an affidavit of publication thereof within the time
25 prescribed by this title, provided the commission has notified the foreign
26 corporation of the intent of the commission to commence a revocation
27 proceeding for that reason and the foreign corporation has failed to file an
28 affidavit of publication within sixty days after that notice.

29 6. An incorporator, director, officer or agent of the foreign
30 corporation signed a document such person knew was false in any material
31 respect with intent that the document be delivered to the commission for
32 filing.

33 7. The commission receives a duly authenticated certificate from the
34 secretary of state or other official having custody of corporate records in
35 the state or country under whose law the foreign corporation is incorporated
36 stating that it has been dissolved or disappeared as the result of a merger.

37 8. The corporation has failed to file a certificate of disclosure or
38 answer interrogatories as prescribed in chapters 24 through 40 of this title.

39 9. ANY OFFICER OR OTHER REPRESENTATIVE OF THE CORPORATION HAS MADE ANY
40 MISREPRESENTATION OF A MATERIAL MATTER IN ANY APPLICATION, REPORT, AFFIDAVIT
41 OR OTHER DOCUMENT SUBMITTED BY THE CORPORATION PURSUANT TO CHAPTERS 24
42 THROUGH 40 OF THIS TITLE.

43 Sec. 9. Title 10, Arizona Revised Statutes, is amended by adding
44 chapter 42, to read:

CHAPTER 42

CORPORATIONS SOLE

ARTICLE 1. GENERAL PROVISIONS

Sec. 10. Transfer and renumber

Title 10, chapter 18, article 3, Arizona Revised Statutes, is transferred and renumbered for placement in title 10, chapter 42, article 1, Arizona Revised Statutes, as added by this act. The transferred sections previously included in title 10, chapter 18, article 3 as sections 10-1851 through 10-1857, Arizona Revised Statutes, respectively, are renumbered as sections 10-11901 through 10-11907.

Sec. 11. Title 10, chapter 42, article 1, Arizona Revised Statutes, as added by this act, is amended by adding section 10-11908, to read:

10-11908. Officer; director; law applicable to corporations sole

A. THE PERSON COMPRISING THE CORPORATION SOLE IS THE ONLY DIRECTOR AND OFFICER FOR THE CORPORATION SOLE UNLESS THE ARTICLES OR BYLAWS OF THE CORPORATION SOLE CONTAIN A CONTRARY DESIGNATION.

B. CORPORATIONS SOLE THAT ARE ORGANIZED PURSUANT TO THIS ARTICLE ARE SUBJECT TO CHAPTERS 24 THROUGH 40 OF THIS TITLE EXCEPT TO THE EXTENT THIS ARTICLE MODIFIES OR DIFFERS FROM THE PROVISIONS OF CHAPTERS 24 THROUGH 40, IN WHICH CASE THIS ARTICLE PREVAILS.

Sec. 12. Section 20-829, Arizona Revised Statutes, is amended to read:

20-829. Directors

The directors of such a corporation shall at all times include representatives of:

1. Administrators or trustees of hospitals which have contracted with the corporation to render hospital service to subscribers, if the corporation is a hospital service corporation or a hospital and medical service corporation.

2. Physicians and surgeons licensed to practice in this state who have contracted with the corporation to render medical service to subscribers, if the corporation is a medical service corporation or a hospital and medical service corporation.

3. Dentists licensed to practice in this state who have contracted with the corporation to render dental service to subscribers AND WHO CONSTITUTE A MAJORITY OF THE DIRECTORS OF THE CORPORATION, if the corporation is a dental service corporation.

4. Optometrists licensed to practice in this state who have contracted with the corporation to render optometric service to subscribers, if the corporation is an optometric service corporation.

5. The general public, exclusive of hospital representatives and physicians, dentists and optometrists.

1 Sec. 13. Section 29-786, Arizona Revised Statutes, is amended to read:
2 29-786. Administrative dissolution

3 A. The commission may administratively dissolve a limited liability
4 company in the manner provided by this section if either:

5 1. The limited liability company fails to amend its articles of
6 organization as required by section 29-633, subsection B.

7 2. The limited liability company has failed to make any publication
8 required by this chapter and has failed to file an affidavit of publication
9 thereof required by this chapter.

10 3. The limited liability company is without a statutory agent or
11 registered office in this state for at least sixty days.

12 4. The limited liability company does not notify the commission within
13 sixty days after its statutory agent or registered office has changed or
14 within sixty days after its statutory agent has resigned.

15 5. THE LIMITED LIABILITY COMPANY FAILS TO RESPOND TO INTERROGATORIES
16 AS PRESCRIBED IN SECTION 29-612.

17 B. If the commission determines that one or more grounds exist under
18 subsection A of this section, for dissolving a limited liability company,
19 it shall give written notice of its determination by mail addressed to the
20 statutory agent of the limited liability company, or if the limited liability
21 company fails to appoint and maintain a statutory agent, addressed to the
22 registered office required to be maintained pursuant to section 29-604,
23 subsection A, paragraph 1.

24 C. If the limited liability company does not correct each ground for
25 dissolution or demonstrate to the reasonable satisfaction of the commission
26 that each ground determined by the commission does not exist within sixty
27 days after service of the notice, the commission shall administratively
28 dissolve the limited liability company by signing a certificate of
29 dissolution that recites the ground or grounds for dissolution and its
30 effective date. The commission shall file the original of the certificate
31 and mail a copy to the limited liability company addressed to its statutory
32 agent, or if the limited liability company fails to appoint and maintain a
33 statutory agent, addressed to the registered office required to be maintained
34 pursuant to section 29-604, subsection A, paragraph 1.

35 D. A limited liability company administratively dissolved pursuant to
36 this section continues in existence but may not carry on any business except
37 as necessary to wind up and liquidate its business and affairs under section
38 29-782, subsection B.

39 E. A limited liability company administratively dissolved under this
40 section may apply to the commission for reinstatement within three years
41 after the effective date of dissolution. The application shall both:

42 1. Recite the name of the limited liability company and the effective
43 date of its administrative dissolution.

44 2. State either that the ground or grounds for dissolution did not
45 exist, or that the ground or grounds have been eliminated.

1 F. If the commission determines that the application contains the
2 information required by subsection E of this section, and that the
3 information is correct, it shall cancel the certificate of dissolution,
4 prepare a certificate of reinstatement that recites this determination and
5 the effective date of reinstatement, file the original of the certificate and
6 mail a copy to the limited liability company addressed to its statutory
7 agent.

8 G. When the reinstatement is effective, it relates back to and takes
9 effect as of the effective date of the administrative dissolution and the
10 limited liability company resumes carrying on its business as if the
11 administrative dissolution had never occurred.

12 H. The administrative dissolution of a limited liability company does
13 not terminate the authority of a statutory agent.

14 I. A limited liability company that has been administratively
15 dissolved pursuant to this section may bring an action against the commission
16 in superior court to review the commission's refusal to reinstate the limited
17 liability company. The action by the limited liability company shall be
18 brought within six months after the commission's refusal becomes final. The
19 superior court shall hear and determine the action as a trial de novo. In
20 any such action the burden of proof shall be on the party adverse to the
21 commission.

22 Sec. 14. Section 29-807, Arizona Revised Statutes, is amended to read:
23 29-807. Revocation of certificate of registration of foreign
24 limited liability company

25 A. The certificate of registration of a foreign limited liability
26 company to transact business in this state may be revoked by the commission
27 in the manner provided by subsection B of this section if any of the
28 following events occurs:

29 1. The foreign limited liability company fails to:

30 (a) Pay any fees or penalties prescribed by this chapter.

31 (b) Appoint and maintain a statutory agent as required by this
32 chapter.

33 (c) File a report on a change in the name or business address of the
34 statutory agent.

35 (d) File with the commission any amendment to its application for a
36 certificate of registration as specified in section 29-805.

37 (e) RESPOND TO INTERROGATORIES AS PRESCRIBED IN SECTION 29-612.

38 2. A misrepresentation has been made of any material matter in any
39 application, report, affidavit or other document submitted by the foreign
40 limited liability company pursuant to this chapter.

41 B. The commission shall not revoke a certificate of registration of
42 a foreign limited liability company pursuant to subsection A of this section
43 unless the commission gives the foreign limited liability company at least
44 sixty days' notice of the revocation by mail addressed to its statutory agent
45 in this state, or if the foreign limited liability company fails to appoint

1 and maintain a statutory agent in this state, addressed to the office
2 required to be maintained pursuant to section 29-802, paragraph 6. The
3 notice shall identify the cause for the revocation of the certificate of
4 registration. The authority of the foreign limited liability company to
5 transact business in this state ceases on the expiration of the sixty day
6 period unless the foreign limited liability company cures the failure stated
7 in the notice.

APPROVED BY THE GOVERNOR APRIL 11, 2001.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 12, 2001.

Passed the House January 29, 2001,

Passed the Senate April 2, 20 01


by the following vote: 57 Ayes,

by the following vote: 27 Ayes,

0 Nays, 1 Not Voting

2 Nays, 1 Not Voting


Speaker of the House


President of the Senate

Norman L. Moore
Chief Clerk of the House

Chairman Dillingham
Secretary of the Senate

**EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR**

This Bill was received by the Governor this

_____ day of _____, 20____

at _____ o'clock M.

Secretary to the Governor

Approved this _____ day of _____

_____, 20____.

at _____ o'clock _____ M.

Governor of Arizona

H.B. 2027

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State
this _____ day of _____, 20____.

at _____ o'clock _____ M.

Secretary of State

HOUSE CONCURS IN SENATE
AMENDMENTS AND FINAL PASSAGE

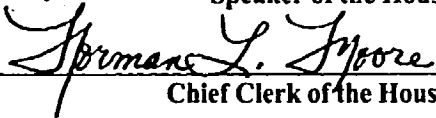
April 5, 2001,

by the following vote: 55 Ayes,

0 Nays, 5 Not Voting



Speaker of the House



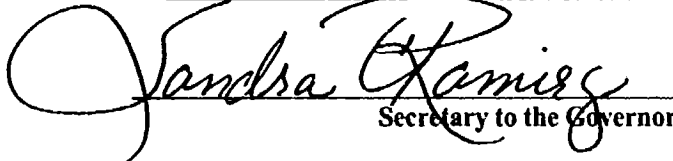
Chief Clerk of the House

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor this

6 day of April, 2001,

at 9:32 o'clock A M.

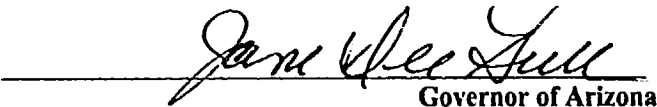


Secretary to the Governor

Approved this 11 day of

April, 2001,

at 8:26 o'clock P M.



Governor of Arizona

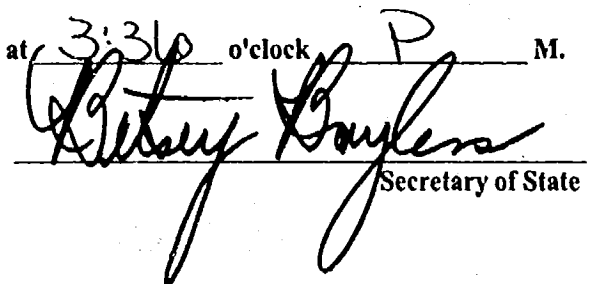
H.B. 2027

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this 12 day of April, 2001,

at 3:31 o'clock P M.



Secretary of State